The Fiscal Monitor

A Publication of the Department of Finance

Highlights

July 2009: budgetary deficit of $5.8 billion

There was a budgetary deficit of $5.8 billion in July 2009, compared to a surplus of $2.2 billion in July 2008. The July 2009 deficit reflects the impact of the weaker economy on the Government's finances as well as measures introduced under Canada's Economic Action Plan to mitigate its effects. Revenues were down $3.4 billion from July 2008, reflecting lower tax revenues resulting from the weaker economy and personal income tax reductions introduced under Canada's Economic Action Plan, such as the Home Renovation Tax Credit. Program expenses increased by $5.1 billion compared to July 2008, largely reflecting increased Employment Insurance (EI) benefit payments and support for the automotive industry under Canada's Economic Action Plan. Public debt charges decreased by $0.4 billion compared to July 2008 due to lower average effective interest rates.

April to July 2009: budgetary deficit of $18.3 billion

For the first four months of the 2009–10 fiscal year, the budgetary deficit was $18.3 billion, compared to a surplus of $2.9 billion in the same period of 2008–09. Roughly $9 billion of the $18.3-billion deficit was attributable to actions taken under Canada's Economic Action Plan, including tax reductions, enhanced EI benefits and support for the automotive industry. Revenues were down $8.7 billion, or 10.8 per cent, reflecting the impact of the weaker economy and tax relief introduced under Canada's Economic Action Plan. Program expenses were up $13.6 billion, or 20.6 per cent, largely reflecting increased EI benefit payments and support for the automotive industry under Canada's Economic Action Plan. Public debt charges were down $0.9 billion on a year-over-year basis, reflecting lower interest rates.

July 2009

There was a budgetary deficit of $5.8 billion in July 2009, compared to a $2.2-billion surplus in July 2008.

Revenues decreased by $3.4 billion, or 15.4 per cent, to $18.4 billion in July 2009.

- Personal income tax revenues decreased by $0.8 billion, or 8.3 per cent, reflecting lower employment and the impact of personal income tax reductions announced in Canada's Economic Action Plan. These tax reductions included increases in the basic personal amount and personal income tax bracket thresholds, as well as the Home Renovation Tax Credit.
- Corporate income tax revenues were down $1.9 billion, or 53.1 per cent, primarily reflecting higher corporate refunds, as well as weaker installment payments.
- Non-resident income tax revenues were down $0.1 billion, or 11.2 per cent.
- Excise taxes and duties were down $0.3 billion, or 7.6 per cent. Following a decline of 25.1 per cent in June 2009, GST revenues were down $0.3 billion, or 8.1 per cent, in July. GST revenues are expected to strengthen over the course of the fiscal year as taxable consumption is projected to contract in the first half of the fiscal year and then increase in the second half of the year. Energy taxes were down $0.1 billion, customs import duties were down $27 million, and other excise taxes and duties were up $6 million.
- EI premium revenues were up $35 million, or 2.7 per cent. The premium rate was kept stable at $1.73 per $100 of insurable earnings for 2009.

Note: Unless otherwise noted, changes in financial results are presented on a year-over-year basis.

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- Other revenues, consisting of net profits from enterprise Crown corporations, revenues of consolidated Crown corporations, proceeds from the sale of goods and services, returns on investments, foreign exchange revenues and miscellaneous revenues, were down $0.3 billion, or 14.2 per cent, largely reflecting a decline in receipts under the Atlantic Offshore Revenue Accounts, as a result of lower oil prices. This revenue is transferred to Newfoundland and Labrador and Nova Scotia under the Atlantic Offshore Accords, such that there is no net impact on the budgetary balance. Other revenues and other excise tax revenues for July 2008 have been restated to classify criminal fines and settlement amounts, consistent with the civil settlement agreement with tobacco companies announced on July 31, 2008, as other revenues rather than as other excise tax revenues. In addition, other revenues have been restated to properly attribute revenues earned by the Royal Canadian Mounted Police for the provision of policing services in July and August 2008. This restatement increases other revenues for July 2008 and reduces them for August 2008 by an equal amount, such that there will be no impact on the results for 2008–09 as a whole.

Program expenses in July 2009 were $21.8 billion, up $5.1 billion, or 30.3 per cent, from July 2008. This increase is largely attributable to higher EI benefit payments and the cost of support provided to the automotive industry.

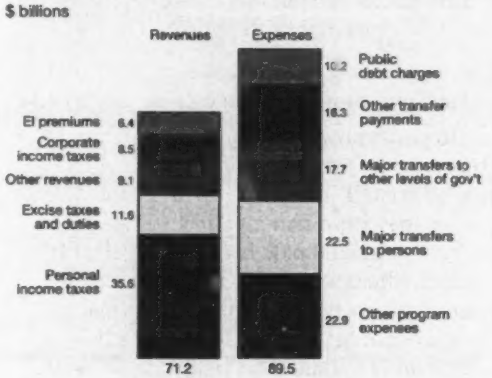
In July 2009, transfer payments were up $4.8 billion, or 45.6 per cent, from July 2008.

- Major transfers to persons, consisting of elderly, EI and children's benefits, increased $0.7 billion, or 15.6 per cent. Elderly benefits increased $0.1 billion, or 5.5 per cent. EI benefits increased $0.6 billion, or 53.1 per cent, reflecting significantly higher regular benefits due to higher unemployment, as well as benefit enhancement measures announced as part of Canada's Economic Action Plan. Children's benefits, which consist of the Canada Child Tax Benefit and the Universal Child Care Benefit, increased $31 million.
- Major transfers to other levels of government, consisting of federal transfers in support of health and other social programs (Canada Health Transfer and Canada Social Transfer), fiscal transfers, transfers to provinces on behalf of Canada's cities and communities, and Alternative Payments for Standing Programs, were up $0.3 billion, or 7.5 per cent, reflecting legislated increases in the Canada Health Transfer and Canada Social Transfer.
- Other transfer payments increased by $3.8 billion, largely reflecting the impact of support for the automotive industry, partially offset by a decline in transfers to Newfoundland and Labrador and Nova Scotia under the Atlantic Offshore Accords.

Other program expenses consist of the operating expenses of Crown corporations, departments and agencies, including National Defence, and also reflect the ongoing assessment of the Government's liabilities. These expenses increased by $0.2 billion, or 3.5 per cent, over last year.

Public debt charges decreased by $0.4 billion compared to July 2008 due to lower average effective interest rates on the stock of interest-bearing debt.

Revenues and expenses
(April to July 2009)



April to July 2009

Through the first four months of the 2009–10 fiscal year, there was a budgetary deficit of $18.3 billion, compared to a surplus of $2.9 billion reported during the same period of 2008–09. Roughly $9 billion of the $18.3-billion deficit was attributable to actions taken under Canada's Economic Action Plan, including tax reductions, enhanced EI benefits and support for the automotive industry.

Revenues declined by $8.7 billion, or 10.8 per cent, to $71.2 billion.

- Personal income tax revenues were down $2.2 billion, or 5.8 per cent, reflecting the impact of tax relief measures and lower employment. These tax reductions included increases in the basic personal amount and personal income tax bracket thresholds, as well as the Home Renovation Tax Credit. Personal income tax revenues are expected to remain weak through the remainder of 2009 and then begin to rise year-over-year in the first quarter of 2010, reflecting projected wage growth and the expiration of the Home Renovation Tax Credit at the end of January 2010.
- Corporate income tax revenues were down $4.0 billion, or 32.3 per cent, reflecting higher refunds and lower installment payments.
- Non-resident income tax revenues were down $25 million, or 1.4 per cent.
- Excise taxes and duties were down $2.5 billion, or 17.6 per cent, primarily due to a $2.3-billion, or 24.4-per-cent, decline in GST revenues. GST revenues are projected to strengthen over the course of the fiscal year, consistent with expected gains in taxable consumption. Energy taxes were down $43 million, customs import duties were down $0.2 billion, and other excise taxes and duties increased by $20 million.
- EI premium revenues were up $0.2 billion, or 2.6 per cent. The premium rate was kept stable at $1.73 per $100 of insurable earnings for 2009.
- Other revenues were down $0.1 billion, or 1.3 per cent.

Program expenses for April to July 2009 were $79.4 billion, up $13.6 billion, or 20.6 per cent, from the same period last year, primarily reflecting increased EI benefit payments and the impact of support provided to the automotive industry.

Transfer payments for April to July 2009 were up $13.0 billion, or 29.8 per cent, from the same period last year.

- Major transfers to persons were up $2.9 billion, or 14.9 per cent. Elderly benefits increased $0.6 billion, or 5.6 per cent, in line with growth in the elderly population and changes in consumer prices, to which benefits are fully indexed. EI benefit payments increased $2.3 billion, or 48.3 per cent, reflecting higher unemployment and benefit enhancements introduced as part of Canada's Economic Action Plan. Children's benefits were up $47 million compared to the same period last year.
- Major transfers to other levels of government were up $1.7 billion, or 10.3 per cent, reflecting legislated growth in the Canada Health Transfer, the Canada Social Transfer and Equalization, as well as the previously announced doubling of the gas tax transfer to provinces and municipalities, as of April 1, 2009.
- Other transfer payments were up $8.4 billion, mainly reflecting the impact of support for the automotive industry and increased infrastructure funding, partially offset by a decrease in transfers to Newfoundland and Labrador and Nova Scotia under the Atlantic Offshore Accords.

Other program expenses increased $0.6 billion, or 2.7 per cent, from last year's level, due mainly to an increase in the operating expenses of National Defence.

Public debt charges decreased $0.9 billion, or 8.5 per cent, as the increase in the stock of interest-bearing debt was more than offset by lower average effective interest rates on that stock.

Financial requirement of $40.2 billion for April to July 2009

The budgetary balance is presented on an accrual basis of accounting, recording government assets and liabilities when they are receivable or incurred, regardless of when the cash is received or paid. In contrast, the financial source/requirement measures the difference between cash coming in to the Government and cash going out. This measure is affected not only by changes in the budgetary balance but also by the cash source/requirement resulting from the Government's investing activities through its acquisition of capital assets and its loans, financial investments and advances, as well as from other activities, including payment of accounts payable and collection of accounts receivable, foreign exchange activities, and the amortization of its tangible capital assets. The difference between the budgetary balance and financial source/requirement is recorded in non-budgetary transactions.

With a budgetary deficit of $18.3 billion and a requirement of $21.9 billion from non-budgetary transactions, there was a financial requirement of $40.2 billion in the April to July period of 2009–10, compared to a financial requirement of $20.3 billion in the same period of 2008–09. This year-over-year difference is due mainly to the deterioration in the budgetary balance.

Net financing activities up $19.8 billion

The Government financed this financial requirement of $40.2 billion by increasing market debt by $19.8 billion and reducing cash balances by $20.4 billion. The increase in market debt was achieved largely through the issuance of marketable bonds. The level of cash balances varies from month to month based on a number of factors including periodic large debt maturities, which can be quite volatile on a monthly basis. Cash balances at the end of July 2009 stood at $24.6 billion, $19.4 billion above their level at the end of July 2008.

Table 1
Summary statement of transactions

	July		April to July	
	2008	2009	2008–09	2009–10
		($ millions)		
Budgetary transactions				
Revenues	21,794	18,437	79,856	71,204
Expenses				
Program expenses	-16,737	-21,800	-65,818	-79,393
Public debt charges	-2,882	-2,457	-11,094	-10,153
Budgetary balance (deficit/surplus)	2,175	-5,820	2,944	-18,342
Non-budgetary transactions	-2,873	-1,457	-23,237	-21,891
Financial source/requirement	-698	-7,277	-20,293	-40,233
Net change in financing activities	1,391	11,920	14,204	19,796
Net change in cash balances	693	4,643	-6,089	-20,437
Cash balance at end of period			5,154	24,592

Note: Positive numbers indicate net source of funds. Negative numbers indicate net requirement for funds.

Table 2
Revenues

	July			April to July		
	2008	2009	Change	2008–09	2009–10	Change
	($ millions)		(%)	($ millions)		(%)
Tax revenues						
Income taxes						
Personal income tax	9,893	9,070	-8.3	37,752	35,567	-5.8
Corporate income tax	3,533	1,657	-53.1	12,492	8,460	-32.3
Non-resident income tax	447	397	-11.2	1,727	1,702	-1.4
Total income tax	13,873	11,124	-19.8	51,971	45,729	-12.0
Excise taxes and duties						
Goods and services tax	3,147	2,891	-8.1	9,401	7,104	-24.4
Energy taxes	450	390	-13.3	1,637	1,594	-2.6
Customs import duties	393	366	-6.9	1,352	1,199	-11.3
Other excise taxes and duties	466	472	1.3	1,700	1,720	1.2
Total excise taxes and duties	4,456	4,119	-7.6	14,090	11,617	-17.6
Total tax revenues	18,329	15,243	-16.8	66,061	57,346	-13.2
Employment Insurance premiums	1,315	1,350	2.7	6,269	6,432	2.6
Other revenues	2,150	1,844	-14.2	7,526	7,426	-1.3
Total revenues	21,794	18,437	-15.4	79,856	71,204	-10.8

Note: Totals may not add due to rounding.

Table 3
Expenses

	July			April to July		
	2008	2009	Change	2008–09	2009–10	Change
	($ millions)		(%)	($ millions)		(%)
Transfer payments						
Major transfers to persons						
Elderly benefits	2,676	2,822	5.5	10,802	11,410	5.6
Employment Insurance benefits	1,073	1,643	53.1	4,703	6,974	48.3
Children's benefits	1,051	1,082	2.9	4,087	4,134	1.1
Total	4,800	5,547	15.6	19,592	22,518	14.9
Major transfers to other levels of government						
Support for health and other social programs						
Canada Health Transfer	1,886	2,040	8.2	7,543	8,159	8.2
Canada Social Transfer	880	979	11.3	3,519	3,694	5.0
Total	2,766	3,019	9.1	11,062	11,853	7.2
Fiscal transfers	1,250	1,262	1.0	5,386	5,759	6.9
Canada's cities and communities	0	0	n/a	475	957	101.5
Alternative Payments for Standing Programs	-254	-235	-7.5	-912	-907	-0.5
Total	3,762	4,046	7.5	16,011	17,662	10.3
Other transfer payments						
Agriculture and Agri-Food	96	73	-24.0	305	347	13.8
Foreign Affairs and International Trade	285	282	-1.1	896	1,002	11.8
Health	249	276	10.8	785	972	23.8
Human Resources and Social Development	127	324	155.1	820	1,062	29.5
Indian Affairs and Northern Development	321	335	4.4	1,663	1,820	9.4
Industry	123	212	72.4	568	602	6.0
Other	872	4,389	403.3	2,854	10,479	267.2
Total	2,073	5,891	184.2	7,891	16,284	106.4
Total transfer payments	10,635	15,484	45.6	43,494	56,464	29.8
Other program expenses						
Crown corporation expenses						
Canadian Broadcasting Corporation	93	88	-5.4	372	351	-5.6
Canada Mortgage and Housing Corporation	197	203	3.0	823	704	-14.5
Other	344	429	24.7	1,549	1,732	11.8
Total	634	720	13.6	2,744	2,787	1.6
Defence	1,708	1,791	4.9	5,573	6,055	8.6
All other departments and agencies	3,760	3,805	1.2	14,007	14,087	0.6
Total other program expenses	6,102	6,316	3.5	22,324	22,929	2.7
Total program expenses	16,737	21,800	30.3	65,818	79,393	20.6
Public debt charges	2,882	2,457	-14.7	11,094	10,153	-8.5
Total expenses	19,619	24,257	23.6	76,912	89,546	16.4

Note: Totals may not add due to rounding.

Table 4
The budgetary balance and financial source/requirement

	July		April to July	
	2008	2009	2008–09	2009–10
			($ millions)	
Budgetary balance (deficit/surplus)	2,175	-5,820	2,944	-18,342
Non-budgetary transactions				
Capital investment activities	-224	-112	-573	-331
Other investing activities	-1,790	-4,489	-11,764	-13,996
Pension and other accounts	594	693	1,738	2,443
Other activities				
Accounts payable, receivables, accruals and allowances	-2,993	-3,757	-13,578	-16,587
Foreign exchange activities	1,281	6,077	-176	5,539
Amortization of tangible capital assets	259	131	1,116	1,041
Total other activities	-1,453	2,451	-12,638	-10,007
Total non-budgetary transactions	-2,873	-1,457	-23,237	-21,891
Financial source/requirement	-698	-7,277	-20,293	-40,233

Note: Totals may not add due to rounding.

Table 5
Financial source/requirement and net financing activities

	July		April to July	
	2008	2009	2008–09	2009–10
			($ millions)	
Financial source/requirement	-698	-7,277	-20,293	-40,233
Net increase (+)/decrease (-) in financing activities				
Unmatured debt transactions				
Canadian currency borrowings				
Marketable bonds	1,473	9,231	388	20,785
Treasury bills	1,900	8,900	15,500	7,900
Canada Savings Bonds	-34	-175	-93	-15
Other	-124	-2	-491	-66
Total	3,215	17,954	15,304	28,604
Foreign currency borrowings	-1,968	-2,775	-1,298	-3,790
Total	1,247	15,179	14,006	24,814
Cross-currency swap revaluation	-12	-2,798	69	-4,744
Unamortized discounts on debt issues	163	-449	193	-210
Obligations related to capital leases	-7	-12	-64	-64
Net change in financing activities	1,391	11,920	14,204	19,796
Change in cash balance	693	4,643	-6,089	-20,437

Note: Totals may not add due to rounding.

For inquiries about this publication, contact Doug Nevison at 613-995-6391.
Ce document est également offert en français.
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